CHAPTER VII

THE MIDDLEMEN AND DISTRIBUTERS

THE gambling operations and the arbitrary control of prices by the food exchanges of Chicago are repeated again when food reaches other cities for distribution. The agencies and the methods employed are the same, only the city embargo is on a smaller scale.

No one knows how many middlemen there are between the producer and the consumer in a city like New York. Even the individual middleman only knows the groups immediately above, below, or around him. And each of these feels that he has a vested right in his business that should not be interfered with by the government. He resists every attempt to dislodge him by the opening of municipal markets or by the regulation of prices. Mr. Dillon states that there are seven or eight middlemen between the farm and consumers of New York City, each one of which adds from 5 to 10 per cent. to the cost of the food which he handles. Some of these are the same persons operating under different firm names. All but one or two of these middlemen could be dispensed with if the city or State would open a central market and provide a public representative to whom the farmer could ship and to whom the retail dealer could come and buy.

These middlemen have arbitrarily crowded themselves into the field and between them take from 50 to 65 cents out of every dollar paid for much of the food of the metropolis. The waste in New York City alone from the operations of these agencies is estimated at from $150,000,000 to $200,000,000 a year.[1]

Commissioner Dillon says that the farmers would produce food enough if they were given an opportunity to sell on profitable terms. But they cannot

[1] *Second Annual Report of the Department of Foods and Markets*, February, 1916.

An investigation made by Miss Laura A. Cauble as to the increase in the cost of vegetables, fresh fruits, and fish on July 11, 1917, while the protest against the high cost of living and the Lever bill were before Congress for consideration, disclosed the following facts as to the wholesale and retail prices in the city of New York:

	Wholesale (Dept. of Health data, July 11, 1917)	Retail	Percentage of Increase to Consumer
Vegetables (Abundant supply in market)			
Potatoes.....	$3.25 per bbl. (160 lbs.)..............	10 cents qt......	264%
Tomatoes....	50 cents–75 cents per crate (35 lbs.).....	15 cents lb......	689%
Spinach......	75 cents per bbl.....	25 cents qt......	1200–1500%
Lettuce......	100 heads at 50 cents.	10–15 cents head	1900–2900%
Fish			
Blue.........	13 cents lb..........	22–28 cents lb...	715%
Sea-bass.....	7 " "	14–20 " " ..	186%
Cod, whole ..	7–10 cents lb.......	18–25 " " ..	259%
Porgy........	3–4 " "	12–16 " " ..	433%
Flounder.....	2–3 " "	12–16 " " ..	700%

get their produce to market. The city is blockaded against them. Often their produce is taken by the commission men and sold and the farmers advised that there was no market for it or that it had to be destroyed by order of the health department. At other times produce fails to realize enough to pay freight rates. Frequently, food from a distance is permitted to spoil or is thrown into the river, to keep up prices. At other times it is held up by railroad-car shortage and lack of terminal facilities. The farmer cannot now market directly as he formerly could, and he cannot afford a personal representative in the city. As a result, he is left to the tender mercies of a group of distributers acting in co-operation with the railroads, cold-storage plants, and packers, all of whom enjoy special, preferential privileges which the independent shipper cannot secure.

The food manipulators of New York are given a practical monopoly of the terminal facilities of the railroads, which are essential to the disposal of food to the retailers. Even the State Department of Foods and Markets of that State, which aims to help the farmer find a market, is discriminated against. The various groups of middlemen have powerful financial and political organizations and maintain themselves against the unorganized farmers, on the one hand, and the equally unorganized consumers on the other. If the dealers fulfilled merely the economic function of distribution and received a reasonable return for the service there would be little objection; but they multiply themselves needlessly and exact speculative profits. To such an extent have they discouraged the farmers of New York that of the total food bill of the city, amounting to $800,000,000 a year, only 5 per cent., or $40,000,000, goes to the farmers of the State.

The distributing middlemen are also so powerful politically that the Department of Foods and Markets of New York State has never been able to secure an adequate appropriation from the State to make a real experiment in co-operative buying and selling. In 1915 the department began marketing various kinds of food products in New York City. It undertook the disposition of peaches of which there was a particularly large crop that year. An agreement was made with the Fruit Auction Company, and substantial advances were secured to the farmer and reductions to the consumer as well.

Deputy Hildebrand, in charge of the auction-rooms established at Franklin Street by Commissioner Dillon, says that the department is being fought by railroads, by organized business interests of certain kinds in this city, and by many other people. In an interview he states:

"The question of apples is always a serious one in the fall. The average price paid the farmer is from $3 to $5 per barrel for good apples. The consumer pays from $12 to $15 per barrel for the same apples. Meanwhile the farmer up-State cannot ship any more. There is no market, it is claimed, or the railroads cannot give cars, using all available for the long hauls from the Far West, for instance."

The same situation obtains in all other fruits and vegetables.

This is the way the railroads join with the distributing agencies and speculators to discourage local production. The distributers, in order to destroy local competition, prefer long-distance shipments. The railroads encourage this by giving preference to cars from Chicago, Kansas City, and other distant points, which are sent through with the regularity of passenger-trains and often much quicker than from the near-by New York points.

This is indicative of the many different kinds of conspiracies which have driven the Eastern farmers and truckmen out of existence and concentrated the control of the food supply in the hands of the middlemen. And the alliances and secret arrangements with railroads, terminals, cold-storage plants, and other private agencies are so subtle and numerous that they cannot be traced or the speculators brought to trial.

In the matter of the milk supply the big dealers or distributers control the prices at both ends—they fix the price the farmer receives and the price the consumer must pay. The sale of milk in New York and other large cities is in the hands of a virtual trust. The consumer must pay their price or do without milk. Nor do the distributers guarantee quality to the consumer although they exact it from the producer. The volume of milk produced does not affect the price, as the dealers insist that it does, for summer or winter the consumer pays the same rates. The dealer owns the utilities of distribution—the cans, pasteurizers, and facilities of the shipping and finishing stations. If one dealer reduces the price paid to the farmer the others follow. This is harmful to the consumer also as it drives many farmers out of business and reduces the supply. On the other hand, if one dealer raises the price to the consumer all do the same. If a retail dealer refuses to comply with the demand of the trust his supply is cut off or delivered sour. The dealer reserves to himself all the advantages of favorable market conditions in New York.

The report of ex-Assistant District Attorney O'Malley in 1910 of milk distribution in New York showed a strong organization in restraint of trade among the dealers. If a dealer ventured to sell below the trust prices the "dead" wagon was sent over his route, selling milk to his customers at ruinously low prices, till he was driven out of business. If all else failed his horse was mysteriously poisoned. Indictments were found against several of the dealers in 1910, but they have never stood trial. The little dealers must obey the big ones or they are forced out of business. The dealers break up co-operative creameries wherever possible by offering to buy the milk in the neighborhood of the creamery and to pay the cartage on it. This was the general state of affairs that led to 2-cent milk to the producer and 12-cent milk to the consumer in the State of New York.

To counteract these influences the State department of foods recommends a milk depot in New York, with a creamery attached, to take care of all surplus milk. Prices would be fixed daily according to supply and demand. The producers demand it and have asked the State to build it. They are willing to pay the maintenance and amortization charges. The plan was opposed by the dealers, however, and failed in the legislature.

In the case of anthracite coal there is the same sort of a monopoly controlling the output and in alliance with the railroads as we have in the case of milk, only the coal syndicate is composed of the producers themselves rather than the dealers. Nine large operating companies control 75 per cent. of the anthracite coal of Pennsylvania, the only source of supply. Each is closely allied with or owned by the railroad on whose line it is located. Consequently markets that are advantageous for the railroads, markets which give them a long haul, are much more likely to have their coal delivered more promptly and cheaply than other places.

It is claimed by the commission on the cost of living of the commonwealth of Massachusetts that New England markets were discriminated against by some of the companies during the year 1916. Anthracite coal, which cost $7.75 in Boston in December, 1914, cost $9.50 at the end of 1916. In other cities and towns of Massachusetts it is considerably higher, reaching $12 and sometimes more. Some of the companies curtailed their shipments to New England and the orders of many retailers were only partially filled. The result was a serious shortage in many cities.[1]

The retailer is at the mercy of the operating companies and the railroads in that he can make no contract stipulating delivery on a certain date and at a certain price. He must take his coal when the railroads can conveniently ship it and at the price current on the day of shipment. The commission reported that the only solution of the difficulty lay in freeing the production and marketing of coal from the control and influence of the railroads; that, since the coal production is in the hands of so small a group, the sale and distribution of the coal should be regulated by the Federal Government. It recommended that a federal agent be given control over the distribution of loaded cars and the

[1] *Report of the Commission on the Cost of Living, Commonwealth of Massachusetts. Report on Anthracite Coal*, December, 1916.

returning of empty cars; that the railroads be forced to give to coal the right of way over other merchandise that is not a necessity of life; and that maximum prices should be fixed for anthracite coal sold at the mines.

Not all of the rise in the price of anthracite coal in the cities of New England has been illegitimate. There was an actual railroad-car shortage, due to increased traffic in other commodities, to which traffic coal-cars were often diverted. The great jump in water freight rates still further increased the demand upon rail transportation. And there were other reasons for the rise in prices, one being the greatly increased export of this product. Nevertheless, discrimination against certain markets not favored by the railroad companies was not due to any legitimate cause but solely to the desire of the railroads to sell where the hauls were most profitable.

The price of flour rose from $5.80 to $11.25 and $12 a barrel between 1897 and 1917. Two-thirds of this rise took place between 1915 and 1917. The cost of bread rose in proportion. The actual price of the loaf did not rise quite so rapidly, but this was compensated for by a diminution in the size of the loaf. The city in its bread consumption is, therefore, the helpless victim of the grain and flour manipulators, who increase the price of the ingredients of bread.[1]

[1] *Report on Bread, Commission on the Cost of Living, Commonwealth of Massachusetts*, January, 1917

The city of Boston suffers not only from the usual embargo on products from outside the city but is hampered still further by a particularly inadequate system of internal transportation of merchandise. This adds to the difficulties of the farmers of Massachusetts in securing a large and accessible market in Boston and appreciably increases the cost of living. One of the chief needs of the city in meeting the situation, says the report on transportation, is a wholesale terminal market.

This is merely suggestive of the blockade through which the food and fuel supply of our cities must pass from the producer to the consumer. It affects every article of daily consumption—meat, eggs, poultry, fish, butter, fruit, vegetables, coal, and lumber. Prices are artificially made. They bear no relation to cost of production, the price paid the farmer, or the service rendered by the middlemen. An association fixes the prices at what the traffic will bear. An investigation of the prices demanded for turkeys during the Thanksgiving season of 1916 showed that the middlemen added 100 per cent. to the cost of the patriotic bird to the consumers of New York. Their profits were estimated to be in excess of $1,500,000.

One of the worst results is the destruction of agriculture about the great cities, for it is to the interest of the railroads to bring supplies from as long a distance as possible. Food from the Far West gives them from ten to twenty times the haul from the near-by points. And as the railroads either control or work with the distributing agencies, the latter can only acquiesce in the proceedings. The farmer is helpless, as is the consumer. The fact that, as already stated, of New York's $800,000,000 food bill only $40,000,000, or 5 per cent., comes from the farmers of New York State is one reason why only 40 per cent. of the land of the State is under cultivation and only 375,000 people out of 10,000,000 are agriculturists. The railroads have destroyed farming in New York in order that they may enjoy the earnings that come from a thousand-mile haul from the Far West.

The food speculators and gamblers form an almost endless hierarchy of operators, each one of whom is interested in inflating the prices as high as possible in order to secure the largest possible profit before he passes the produce on to another. A useful service is performed by a small portion of them, but service is secondary to speculation. In other words, a legitimate function has been converted into a gambling transaction, and in the process a large number of perfectly useless intermediaries have wedged themselves in between the producer and consumer. It is difficult to tell the cost in actual dollars to the consumer, or the increase in price. Farm produce is marketed whose cost to the consumer is four or five times what the producer receives. Instances of the destruction of great quantities of food to keep up the combine have been reported, while the withholding of food to produce famine prices is so common as no longer to excite comment.

These manipulators in the food centres of the country fall into several groups, of which the chief are: (1) the railroads; (2) the refrigerator-cars; (3) the banks working in sympathy or co-operation with the other agencies; (4) the food exchanges which fix prices in the various cities and control the auction and selling agencies; (5) the grain elevators and warehouses; (6) cold-storage plants and warehouses; (7) the packing-houses of the Western cities; and (8) the middlemen, jobbers, and wholesalers who stand between the terminal agencies and the retail stores.

These are the profit-taking agencies between the producer and the consumer. They not only take toll for the service they perform, but, what is far more costly, each is interested in creating a continuing condition of artificial scarcity so as to collect an additional tribute through speculation.